



CLAREPINE DEVELOPMENTS LTD.

Seventh Annual Report

Clarepine Developments Ltd.

EDMONTON, ALBERTA

Board of Directors

R. A. McAlpine—Edmonton, Alberta
C. P. Stumborg—Edmonton, Alberta
J. J. Stumborg—Edmonton, Alberta

Officers

R. A. McAlpine, P.Eng.—President
C. P. Stumborg—Vice-President
J. J. Stumborg—Vice-President
C. J. Small, B.Comm., C.A.—Secretary-Treasurer

Transfer Agent

North West Trust Co.
10053A Jasper Avenue
Edmonton, Alberta
717 - 7th Avenue S.W.
Calgary, Alberta

Solicitors

Milner & Steer
9th Floor Milner Building
Edmonton, Alberta

Auditor

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants
Bank of Montreal Building
Edmonton, Alberta

Consulting Engineers

Blain, Binnie & Associates Engineering Ltd.
631 - 7th Avenue S.W.
Calgary, Alberta

Head Office

560 One Thornton Court
Edmonton, Alberta

Plant

Bruderheim, Alberta

Listed

Calgary Stock Exchange

Clarepine Developments Ltd.

1970 ANNUAL REPORT

Directors' Report to the Shareholders

Your Directors are pleased to submit the annual report of the company and its subsidiaries, together with the consolidated financial statement for the year ended November 30, 1970.

FINANCIAL: During the year under review, income from all sources was \$142,396.00 as compared with \$106,362.00 for 1969. After deduction of all expenses, net profit for the year was \$22,339.00 as compared with \$54,448.00 for 1969. Income generated from operations plus the proceeds from the sale of shares of a subsidiary company, amounted to \$130,954.00. These monies, together with the working capital available at the end of 1969, allowed us to make a major diversification in 1970. The company is in a sound financial position with adequate working capital to meet all commitments for 1971.

OIL PRODUCTION AND RESERVES: As reported last year, the elimination of marginal operations has continued and we have recorded a small gross profit this year. Oil revenue will continue to provide a decreasing percentage of the company's gross income and it is doubtful if this division of the company's operations will warrant special comment in future years.

LAND DEVELOPMENT: The Northeast freeway alignment has been approved by Edmonton City Council thereby allowing the completion of the planning for the Northeast Town Centre and Neighborhoods One and Two of the Clareview Subdivision. The requirement for a change in zoning from urban reserve to general urban is still a problem but the developers in the area are attempting to resolve the question as quickly as possible. When this plan is finalized, it is the intention of the Board of Directors to provide the shareholders with a sketch plan delineating the company's interests.

SILICA: On April 24, 1970, all shareholders were advised that the Directors had entered into an agreement to develop a plant which would process and beneficiate Bruderheim dune sand for industrial uses. Sand is not considered a glamorous mineral but, as the comments below will demonstrate, it is becoming a very valuable commodity. Many people are familiar with ordinary types of sand used for aggregate, ballast and fill, however, in the last few years, the market for specialty sands or sands generally having rigid and chemical specifications has increased considerably. Specialty sands are obtained from the purest available sand deposits that can be economically worked. Major uses for specialty sands include glass, glass fibres, soluble silicates, abrasives, sandblasting, foundries, water filter systems and roofing construction materials. Minor uses include ceramic and refractory materials, nursery and sand box sand, aquariums, golf sand traps, cigarette urns and chinchilla dust.

The Bruderheim sand being beneficiated by our company contains, in the raw state, approximately 94 percent silica (SiO_2) with the balance of the material being alumina, iron, clay and minor miscellaneous heavy minerals. The company's process essentially removes these unwanted ingredients leaving a high content of quartz making the sand physically durable and chemically inert.

At the time of the writing of this report, the company has just successfully completed a 500 ton test run of material with Fiberglas Canada Ltd. We are pleased to report that the sand worked well in the Fiberglas operation and that our physical and chemical specifications were consistently within the required limits.

The Directors wish to express their appreciation to all those who have contributed directly and indirectly to the success of the silica operation in particular and to the company generally over the past year.

Respectfully submitted on behalf of the Board of Directors.

R. A. McAlpine, P.Eng.
President

AUDITOR'S REPORT

To the Shareholders of
Clarepine Developments Ltd.

We have examined the consolidated balance sheet of Clarepine Developments Ltd. (formerly Clarepine Oil & Gas Ltd.) and subsidiary companies as at November 30, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson,
Chartered Accountants

Edmonton, Alberta,
March 10, 1971.

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AS AT NOV
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ASSETS

	<u>1970</u>	<u>1969</u>
Current Assets		
Cash and term deposit receipts	\$ 83,786	\$112,920
Marketable securities, at cost (quoted market value 1970-\$182,459; 1969-\$342,317)	97,674	155,945
Accounts receivable	4,558	5,089
Prepaid expenses	3,050	77
	<u>189,068</u>	<u>274,031</u>
Other Assets, at cost		
Investments	3,682	2,000
Land	28,085	
	<u>31,767</u>	<u>2,000</u>
Investment in Affiliated Companies (note 2)		
Shares, at cost	6	6
Advances		1,658
	<u>6</u>	<u>1,664</u>
Fixed Assets (note 3)		
Land, building, petroleum leases, development costs and equipment, at cost	472,031	264,335
Less accumulated depletion, amortization and depreciation	44,061	61,840
	<u>427,970</u>	<u>202,495</u>
Intangibles and Deferred Charges		
Deposits	11,000	6,000
Deferred development costs	59,832	
Excess of cost over book value at date of acquiring shares of subsidiary		19,697
Organization costs	2,948	
	<u>70,832</u>	<u>28,645</u>
	<u>\$719,643</u>	<u>\$508,835</u>

Aproved by the Board

R. A. McAlpine, Director
C. P. Stumborg, Director

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Oil & Gas Ltd.)
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 companies

BALANCE SHEET

EMBER 30, 1970

at November 30, 1969)

LIABILITIES

	<u>1970</u>	<u>1969</u>
Current Liabilities		
Bank advances, secured by a general assignment of petroleum leases and book debts	\$ 52,889	\$ 35,750
Accounts payable and accrued liabilities	58,148	25,132
Income taxes payable		3,602
Principal due within one year on long-term debt	3,000	
	<u>114,037</u>	<u>64,484</u>
Long-Term Debt		
Agreements for sale	25,935	
Less principal included in current liabilities	3,000	
	<u>22,935</u>	
Advances by minority shareholder (note 4)	130,000	
	<u>152,935</u>	
Interest of Minority Shareholders in Subsidiary Company	<u>1,249</u>	<u>15,268</u>
Capital Stock		
Authorized:		
10,000,000 Common shares without par value		
Issued:		
2,075,000 Common shares	383,000	383,000
Retained Earnings	<u>68,422</u>	<u>46,083</u>
	<u>451,422</u>	<u>429,083</u>
	<u><u>\$719,643</u></u>	<u><u>\$508,835</u></u>
Subsequent Event (note 6)		
Share Option (note 7)		

Clarepine Developments Ltd.

and Subsidiary Companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended November 30, 1970

1. Basis of Consolidation

The consolidated financial statements include the accounts of Clarepine Developments Ltd., the wholly owned subsidiary company, Clarepine Explorations Pty Limited, and the 66½% owned subsidiary company Sil Silica Ltd., both of which were newly incorporated. All shares in a former consolidated subsidiary, Petroleum Royalties, Limited were sold during the year.

The accounts of the Australian subsidiary have been translated into Canadian dollars at exchange rates in effect at November 30, 1970. The exchange adjustment on consolidation which occurred as a result of the freeing of exchange controls on the Canadian dollar on June 1, 1970, is reflected as an extraordinary item in the statement of income.

2. Investment in Affiliated Companies

The company holds a 30% interest in Greenway Homes Ltd. and a 50% interest in Greenway Investments Ltd.

3. Fixed Assets

	1970		1969	
	Cost	Accumulated Depletion, Amortization and Depreciation	Net	Net
Land	\$ 7,500	\$	\$ 7,500	\$
Building	42,970		42,970	
Plant and laboratory equipment	242,533		242,533	
Furniture, fixtures and automotive equipment	12,217	3,211	9,006	3,964
Producing leases	21,511	4,893	16,618	23,453
Lease development costs	94,449	18,480	75,969	108,394
Production equipment	30,181	17,477	12,704	34,157
Non-producing leases and claims	20,670		20,670	32,527
	<u>\$472,031</u>	<u>\$ 44,061</u>	<u>\$427,970</u>	<u>\$202,495</u>

The company employs the full cost method of accounting, wherein all costs of exploration for and development of oil and gas reserves are capitalized and amortized on a unit of production method, based on total estimated reserves. Production equipment is depreciated on a straight-line method, based on a ten year life. Furniture, fixtures and automotive equipment are depreciated on a diminishing balance method at the following rates:

Furniture and Fixtures	20%
Automotive Equipment	30%

During the year a subsidiary company, Sil Silica Ltd., constructed a plant for the processing of silica sand. As the plant was not yet in operation at November 30, 1970, no depreciation on building and plant and laboratory equipment has been provided in these financial statements. The costs of starting up the plant have not yet been determined.

4. Advances by Minority Shareholder

Series A-10% Debentures -----	\$100,000
Other -----	30,000
	<u>\$130,000</u>

The Series A 10% debentures are secured by a first floating charge on all assets of a subsidiary company and call for repayment of principal over 5 years. Payment of principal and interest has been deferred by the debenture holders until the subsidiary company's plant commences operation.

5. Income Taxes

For income tax purposes, the company claims lease acquisition, exploration and drilling costs in excess of the related depletion, amortization and depreciation reflected in its accounts. As a result, no income taxes are currently payable.

The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in financial years commencing on or after January 1, 1968. The company, however, in common with many other companies in Canada, believes that tax allocation in respect of intangible development costs is not appropriate, and this position is accepted by accounting authorities outside Canada. Accordingly, it is the company's policy to provide in its accounts for taxes payable on its taxable income for the year but not for taxes deferred as a result of the excess claims for lease acquisitions, exploration and drilling costs. If the tax allocation basis in respect of such excess claims had been followed in current and prior years, net income for the year would have been reduced by \$5,304 (\$10,569 in 1969) and the cumulative amount of deferred tax credits to November 30, 1970 would have been \$15,873.

6. Subsequent Event

Subsequent to the year end, a subsidiary company commenced negotiations whereby, in return for the opportunity of acquiring capital stock of the subsidiary company and of operating the plant to March 31, 1972, the subsidiary's plant would be started up and placed in successful production. These negotiations have not been finalized to March 10, 1971.

7. Share Option

The company has granted an option to an officer of the company to purchase 10,000 common shares at a price of \$0.50 per common share. The option is for a three year period ending August 31, 1973. No shares have been purchased under this option to November 30, 1970.

8. Remuneration of Directors and Officers

Aggregate direct remuneration paid to directors and officers of the company amounted to \$30,500 for the year ended November 30, 1970 (\$15,106 in 1969).

